

MONTANA BOARD OF HOUSING

301 S Park Ave, Room 226

Helena MT 59601

November 21, 2005

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Present)
Jeff Rupp (Present)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Gerald Watne, Multifamily Program
Justin Schedel, Multifamily Program
Penny Cope, Multifamily Program
Chuck Nemec, Accounting & Finance Manager
Vicki Bauer, Assistant Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Jeannie Huntley, Promotions Manager
Jeannene Maas, Homeownership Program Specialist
Charlie Brown, Homeownership Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Sheila Rice, NHS/MHN
Rich Cornwell, NHS/MHN
Jenny Erdahl, Legislative Auditor
Vickie Rauser, Legislative Auditor

CALL MEETING TO ORDER & APPROVAL OF MINUTES

Chairman Bob Thomas called the meeting to order at 8:30 a.m. J P Crowley moved to approve the October 17, 2005 Board minutes and the October 11 & 19, 2005 conference call minutes. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

PUBLIC COMMENTS

Mr. Thomas gave the history of Montana Board of Housing (MBOH). He asked the Board, staff, and guests to introduce themselves. Bruce Brensdal introduced new MBOH staff members: Penny Cope in the Multifamily Program and Jennifer Raymond as back-up Administrative Assistant doing reconveyances and imaging.

MULTIFAMILY PROGRAM

Mat Rude presented a map showing locations of Reverse Annuity Mortgages (RAM) throughout the state. He said that MBOH received its first application for a RAM loan on a condo.

Mat said that he was not ready to make a recommendation to the Board on the Fraser Tower Conduit Deal, and will do so at the next meeting.

The Miles City project returned the tax credits and will re-apply to request more credits to include the demolition of one building.

Penkay Eagles Manor welcomes staff and Board members for a site visit this afternoon to see all the rehab on the project.

PROMOTIONAL PROGRAM

Jeannie Huntley said the Montana Board of Housing (MBOH) RAM article appeared in several weekly newspapers and also in the Traders Dispatch which goes to rural Montana families. The Senior News publication will also feature the RAM article.

The strategic plan was updated at the quarterly meeting. The updates will be presented to the Board in January.

The Montana House promotional approach is being revamped. South Dakota, who has been very successful marketing similar houses, will send information to MBOH on their methods.

The 2005 Annual Report should be completed for the Board meeting in January.

Jeannie summarized the monthly and year to date highlights for the Housing Division.

ACCOUNTING PROGRAM

Chuck Nemec gave a summary of the 2005 Financial Statements and said they earned an unqualified opinion from the Legislative Auditors. He praised the accounting staff: Vicki Bauer, Chris Bullman, Joice Franzen, and Becky Johnson, for their commitment and dedication to their work. Susan Moyer commended the staff on getting an unqualified opinion.

Jenny Erdahl of the Legislative Auditor's office explained the audit of the financials that ended June 30, 2005. She said they also did an audit of the Department of Commerce.

Vicki Rauser gave a summary of the Servicer Reviews. She said 4 banks selected were Stockman Bank of Montana in Miles City, Valley Bank of Belgrade, Valley Bank of Ronan, and Community Bank of Polson. Most of the exceptions were pertaining to hazard insurance. Nancy said the lenders have 60 days to respond to the exceptions. Bruce said that the accounting techs visit the Servicers to help them comply with MBOH policies.

Jeff Rupp asked about more details on the operating revenues and operating expenses. The chairman suggested having a detailed line item training on the financial statements. He asked Jeff Rupp to be chairman of the Audit Committee, replacing J P Crowley who was appointed at a previous meeting.

SINGLE FAMILY PROGRAM

Nancy presented the Real Estate Owned (REO) report showing one property listed.

The Mortgage Credit Certificate (MCC) summary report shows that 46 certificates have been issued and 2 loans are reserved. The new program will start January 25th and the lenders have been notified of the 21 day gap between programs so they won't schedule closings during that time. Lenders say the tax credit is making a difference for qualifying borrowers.

The 2005 RA bond issue closed on November 16th. The rate ended up being 4.7% and replaced funds that were at 6.4%. The bond issue generated approximately \$2.4 million at 0% to blend with the remaining funds of the 2005 A bond issue. The rate on the 2005 A bond issue was raised to 5.5% on November 7th. Fifteen loans have been reserved at that rate. A total of 855 loans have been purchased or reserved for \$91,825,000. There is approximately \$525,000 left to reserve in the combined 2005 bond issues. A Bridge Program will be used until there is a new bond issue at the beginning of next year. The Bridge program will be warehousing loans for the next bond issue, for which the warehouse funds will be reimbursed when the bonds are finally issued. Local interest rates are 6.125%. Judy Glendenning said lenders like the conventional loan program. Staff has been authorized by the Board to raise or lower the interest ¼% without Board approval. Betsy Scanlin moved to supercede the prior resolution regarding staff adjusting rates ¼% either way and now authorizes staff to stay within ½-¾% of major mortgage lender rates. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Nancy showed the Board a chart that consolidates the information or criteria for each program and highlights the new products.

Nancy said MBOH has been receiving requests for conventional loans with borrowers exceeding 20% down payment up front. Therefore, they no longer need private mortgage insurance, so staff is discussing uninsured loans with deep equity.

Judy said that at the NCSHA conference, some states discussed having mobile home associations to buy mobile home courts. Jeannie Huntley has a paper on Housing Cooperatives that will be included in the information for next meeting. The Chairman asked Judy to prepare something for discussion on that topic at the Regional Summit.

Nancy informed the Board that the liaison with Wells Fargo has resigned and they are working on a replacement for her to start in January.

The recycled setaside summary shows \$32,544,421 committed to setasides. Nancy introduced Sheila Rice of Neighborhood Services (NHS) to give an update on her program. She requested an extension of the NHS/MHN 2nd mortgage setaside. Jeff Rupp moved to extend the NHS/MHN 2nd mortgage setaside to December 31, 2010. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Clark Fork Commons submitted a letter describing the unexpected delays and requested an extension. Betsy Scanlin moved to extend the setaside for 6 months. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The Town of Bridger and also the Town of Terry requested an extension to these projects which are winding down. J P Crowley moved to extend the Town of Bridger and the Town of Terry setasides for 6 months. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Staff requested extensions on the Lot Refinance and the Habitat for Humanity programs to have these setasides available on an ongoing basis. Judy Glendenning move to extend both programs for 1 year. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The Board members said they appreciate updates from agencies on the setaside programs and information on why extensions are needed. Nancy presented a letter from Glacier Affordable Housing Foundation (GAHF) for an extension. Judy Glendenning moved to extend the GAHF setaside for 1 year. Betsy Scanlin seconded the motion. Susan Moyer abstained from voting. The Chairman asked for public comments. The motion passed unanimously.

Sheila Rice shared that Bob Morgan received the national award for government service and promotion of affordable housing, but all the staff deserved the award also. She presented 5 items of business before the Board. 1. NHS requested Board approval for a 1% line of credit to provide funds for financing the mortgages made in the subscription bond pool. Mortgages made under the subscription bond issue are funded at the time of closing by NHS/MHN and are accumulated to the level of \$500,000, then MHN/NHS is reimbursed for the loans. 2. Sheila gave a progress report on the MBOH/HUD housing counseling grant. She noted that 142 of the total of 476 families that attended homebuyer education did not use any of the their products. 3. Sheila asked the Board to seek exemption from Department of Commerce requirement to recover 15% for administrative costs because MBOH does not use any state general fund dollars. This would allow more funding to be spent for services to homebuyers and homebuyer education and counseling. 4. MHN requested full funding of \$200,000 for FY 2006 HUD housing counseling. MBOH has been approved for new HUD grant of \$150,000. Jeff Rupp requested that NHS bring in more information on costs and expenditures as well as outcomes prior to the Board considering this request. 5. The Preservation Initiative provides a 24-hour foreclosure prevention hotline, budget counseling, and lender/servicer intervention. Jeff Rupp suggested homebuyer education for all MBOH programs. Jeff Rupp moved to approve the 1% line of credit for \$500,000. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Susan Moyer suggested tabling the exemption from Commerce until MBOH finds out if they can waive some of these policies because they are self funded and not from the state general fund. Sheila said she wanted to wait on item #4 until she could bring more information.

Nancy introduced some concepts to help keep some of the foreclosed units as part of the lower income housing stock. She presented a schematic with a timeline of delinquency and foreclosure processing. Susan suggested stronger action for borrowers who are repeat delinquency offenders who don't work with you. Doug Jensen said he didn't know if the state would allow accelerating a loan. Betsy suggested making it MBOH contractual policy to foreclose on the 3rd time a person is in default. Pat Melby will check to see what options are allowed under state law.

Nancy presented a Joint Venture Agreement with the District XI Human Resource Council on a property that went into foreclosure in Missoula. MBOH could work to sell the property as is or work with the non-profit, who has \$25,000 in the property over and above what it is worth, and give them the opportunity to minimize their cost and offer it to one of their clients. Jeff Rupp moved to approve the joint venture with District XI Human Resource Council. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Betsy reiterated that MBOH should continue to approach non-profits for REO's to keep the property in the low-income housing inventory when the benefit outweighs the benefit of selling it at auction.

DIRECTOR'S UPDATE

Bruce Brensdal presented a memo addressing out of state travel and training based on a meeting with Administrators. Board members discussed having those that attend training report back on the highlights and what is learned. Others said there are too many roundtables for only a couple people to attend and to interact and network with other state housing agencies. Staff should be able to talk with staff from other states. Bruce said the Director wants staff and Board to go to training and knows it is beneficial, however, he would encourage them to consider each training and to take turns and limit the number who go as appropriate.

Bruce and Doug Jensen met with the Job Corp in Darby who expressed an interest in doing something similar to the Montana House. He asked for a consensus to move forward and the Board members agreed.

Citigroup sent a letter expressing interest in being a co-manager on the finance team. Bruce gave the Board information on the current structure. The Board will discuss options at the January meeting.

The Chairman said he would like the auditors to review more than 4 Servicers. Vicki Bauer said that staff will do more visits and report on their findings and resolutions of any issues.

The next meeting is scheduled for January 10th in Helena. Meetings are tentatively planned for February 13th in Bozeman. March 20th in Helena, April 17th, May 8th, June 6th, and July 10.

The meeting adjourned at 12:30 p.m.

J. P. Crowley, Secretary

Date